

TO: Governor
FROM: John Arledge, Jim Perry
CC: Charlie Williams
DATE: January 19, 2004
SUBJECT: Medicaid Strategy

In light of our meeting last week concerning the Administration's Medicaid strategy, Jim and I wanted to outline some additional thoughts for your review.

We respect the fact that you are willing to make difficult decisions that are needed for Mississippi regardless of the personal political damage it does to you - it is one of your attributes we admire most. However, we believe there is a way for you to do the right thing in regards to Medicaid without self-inflicting political damage on an issue that will impede your ability to effectively address others.

We understand your ultimate goal to be the restructuring of Mississippi's Medicaid program down to a sustainable size - both in terms of population and cost. We are concerned that announcing massive cuts on prescription drugs and nursing homes on January 28 would do one of two things:

-- create a statewide panic that ensues for two months and the Legislature calls your bluff and lets the cuts go into effect – creating catastrophic political damage; or

-- create a statewide panic that ensues for two months and the Legislature blocks the cuts by increasing taxes and/or cutting spending – “saving Mississippi from the Governor” and inflicting unrecoverable political damage on you anyway. Neither option is good.

We recommend the following:

- *(January 21)* Announce Partnership lawsuit. This is important to the Medicaid budget and needs to be engaged quickly if we are to realize that money for the '06 budget. Advantage: By announcing this by press release, on a Friday and from an indirect source (Division of Medicaid and/or Health Care Trust Fund) we keep this negative issue at arms length and move it quickly so it can be overshadowed by a bigger week of Medicaid news the next week.
- *(January 25-26)* Senate committees and then the full Senate pass a bill that uses the Tobacco Trust Fund to address the '05 deficit, including \$50 million in

immediate savings, and saves \$184 million in permanent Medicaid benefit reductions to address the '06 and future shortfalls. The Governor's Office temporarily withholds comment on its passage citing the need to see the House's Medicaid proposal and pending legislative negotiations. Advantage: This would put a workable solution on the table that would come from somebody other than you, allowing you to temporarily remain above the fray during the initial press coverage and comment.

- *(January 31)* Publicly endorse the Senate bill as a responsible measure that makes the necessary savings to keep the Medicaid program sustainable. On the same day, hold a private meeting with the Senate and House leadership to explain to them that you are preparing to implement severe Medicaid cuts and pursue the PLAD removal on February 3rd if something akin to the Senate bill is not passed. Advantage: This would help you avoid having to publicly announce Draconian cuts on prescription drugs and nursing homes as a bargaining move that would create widespread panic and be politically unrecoverable. However, you would still be able to have private leverage with the House leadership.

- *(February 3)* If the Legislature has not yet passed a satisfactory bill that also reinstates PLADs -- proceed with our legal efforts in federal court to remove PLADs, but say publicly that, to avoid confusion, we hope the Legislature resolves the PLAD issue one way or the other before new notices are sent at the end of February. If the Legislature has passed a satisfactory bill that also reinstates PLADs -the federal court hearing becomes a non-issue.
- *(February 8)* Officially kick-off the Medicaid redetermination project. We should not miss the opportunity to trumpet one of your most positive reforms – especially one that polled so well.
Advantage: With PLADs and the Medicaid budget potentially off the press radar, this would allow you to create some positive Medicaid news without distractions.

At this point the most damaging and emotional Medicaid issues would be behind us, we would have launched our most popular Medicaid reform, and we could focus the rest of the Session on fighting other tax hike proposals and moving the rest of our agenda.

In short, we feel announcing severe Medicaid cuts is almost as politically damaging as actually making the cuts. Since the Senate is willing to go first and pass an acceptable bill, we feel you should let them. You have already exhibited leadership on the Medicaid crisis and taken your arrows for it. It is time to let the Legislature step up to the plate.

Thank you for your consideration.